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**REPORT OF AUDIT**  
**HICKORY UNDERGROUND WATER CONSERVATION**  
**DISTRICT NO. 1**

**SEPTEMBER 30, 2020**

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*Jodi Crudgington, CPA, LLC*  
CERTIFIED PUBLIC ACCOUNTANT  
217 South Blackburn Street  
P. O. Box 789  
Brady, Texas 76825

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
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**SEPTEMBER 30, 2020**

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## **INTRODUCTORY SECTION**

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**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**DISTRICT OFFICIALS**  
**SEPTEMBER 30, 2020**

W. Owen Parks	President
Bill Sloan	Vice-President
Gay Nesloney	Secretary
Amy Greer	Board Member
Don Williams	Board Member
David Huie	Manager
Angelina Deans	Assistant Manager
Ronnie Moore	Field and Lab Tech

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hickory Underground Water Conservation District #1  
P. O. Box 1214  
Brady, Texas 76825

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hickory Underground Water Conservation District #1, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Hickory Underground Water Conservation District #1, as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Jodi Crudgington, CPA, LLC*

Brady, Texas

December 7, 2020



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

Our discussion and analysis of the Hickory Underground Water Conservation District's performance provides an overview of the District's financial activities for the year ending September 30, 2020. Please read it in conjunction with the District's financial statements, which begin on page 11.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) schedule of revenues, expenditures and changes in fund balances, budget and actual (budgetary basis) and 4) notes to the financial statements. The Statement of Net Position and the Statement of Activities, on pages 11 and 12 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements.

**The Statement of Net Position and the Statement of Activities**

Our analysis of the District as a whole begins on page 11. The Statement of Net Position and the Statement of Activities report information about the District as a whole and indicate whether the District's financial condition is better or worse than the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The District's net position, the difference between assets and liabilities, is a measure of the District's financial position. Over time, increases and decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.

All of the District's activities are considered to be governmental activities, as the District has no business-type activities.



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

**Fund Financial Statements**

The fund financial statements begin on page 13 and provide detailed information about the District's general fund, which is reported as a governmental fund.

Governmental funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations.

**Reporting the District's Fiduciary Responsibilities**

At this time, the District has no fiduciary responsibilities.

**The District as a Whole**

Shown below is a comparison of net position for the prior fiscal year and the current year ended September 30, 2020. Net position has increased by \$269,423. This is an indicator that the District's financial condition has improved. Most of the change can be attributed to an increase in cash deposits.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

	<b>Governmental Activities 9-30-20</b>	<b>Governmental Activities 9-30-19</b>
Current and other assets \$	2,542,112	\$ 2,265,540
Capital assets	83,881	90,967
Total assets	2,625,993	2,356,507
Long-term liabilities	19,707	19,285
Other liabilities	3,979	4,338
Total liabilities	23,686	23,623
Net investment in capital assets	83,881	90,967
Unrestricted	2,518,426	2,241,917
Ending net position \$	2,602,307	\$ 2,332,884

**Governmental Activities**

The following schedule presents a comparison between general fund revenues and expenditures for the fiscal year ended September 30, 2020 and the prior fiscal year.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

<b>Revenues:</b>	<u>9-30-20</u>	<u>9-30-19</u>	<b>Increase (Decrease)</b>
Taxes	\$ 597,617	\$ 565,793	\$ 31,824
Interest	19,088	16,380	2,708
Attorney Fees	3,127	2,388	739
Miscellaneous	2,665	920	1,745
Gain on Sale of Assets	-	5,000	(5,000)
<b>Total Revenues</b>	<b>\$ 622,497</b>	<b>\$ 590,481</b>	<b>\$ 32,016</b>

<b>Expenses:</b>	<u>9-30-20</u>	<u>9-30-19</u>	<b>Increase (Decrease)</b>
Salaries	\$ 168,766	\$ 165,529	\$ 3,237
Payroll Taxes	2,879	2,427	452
Health Insurance	79,829	88,505	(8,676)
Retirement	12,626	12,356	270
Storage	540	540	-
Utilities	2,847	2,936	(89)
Telephone	4,039	3,303	736
Furniture	35	-	35
Copier	3,289	3,445	(156)
Maintenance	359	87	272
Office Supplies	1,700	1,656	44
Janitorial	67	137	(70)
Election/Legal Notices	1,470	819	651
Legislative Service	9,600	9,960	(360)
Appraisal District	21,162	19,041	2,121
Legal Fees	-	3,575	(3,575)
Accounting	7,305	6,995	310
Computer	3,971	5,693	(1,722)

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

<b>Expenses:</b>	<u>9-30-20</u>	<u>9-30-19</u>	<b>Increase (Decrease)</b>
Vehicle Expense	\$ 495	\$ 1,025	\$ (530)
Vehicle Insurance	944	786	158
Travel	848	1,113	(265)
Meetings	573	1,468	(895)
Dues and Miscellaneous	2,620	2,746	(126)
Bonds and Insurance	2,096	2,115	(19)
Building Insurance	470	469	1
Postage	856	998	(142)
Attorney Fees	3,127	2,388	739
Geological Studies	1,625	697	928
Education Information	2,529	5,150	(2,621)
Water Management	3,795	2,793	1,002
Depreciation	12,612	12,703	(91)
<b>Total Expenses</b>	<u>353,074</u>	<u>361,455</u>	<u>(8,381)</u>
Increase in net position	<u>\$ 269,423</u>	<u>\$ 229,026</u>	<u>\$ 40,397</u>

Revenues increased by \$32,016. Most of the increase was from taxes and interest.

Expenses decreased by \$8,381. In employee related expenses, salaries increased by \$3,237. Health insurance decreased by \$8,676, and retirement increased by \$270.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

**General Fund Budgetary Highlights**

The District did not amend the budget for the fiscal year ending September 30, 2020. A budgetary comparison schedule is presented on pages 17 and 18. The District had no expenditures in excess of budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of September 30, 2020 the District had \$83,881 invested in capital assets, net of depreciation, including land, a building, vehicles, hydro geo equipment, and office equipment as represented below:

	<b>9-30-20</b>	<b>9-30-19</b>
Land	\$ 5,000	\$ 5,000
Building	62,509	61,146
Vehicles	53,872	53,872
Hydro Geo	47,520	48,939
Office Equipment	11,301	9,845
Accumulated Depreciation	(96,321)	(87,835)
	<b>\$ 83,881</b>	<b>\$ 90,967</b>

During the fiscal year, the District purchased the following capital assets:

- Canon map printer
- Computer
- Front window tinting

The District does not own any infrastructure assets.

**Debt**

The District has no debt.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020**

**Economic Factors and Next Year's Budgets and Rates**

The Texas Legislature will be in session in 2021, which means the District will need to focus on the expenses related to legislative services. The District continues to contract with John Davis, a lobbyist representing the District and groundwater concerns. While Covid will keep most in-person lobbying to a minimum, visits with legislators and aides will still be necessary. Those expenses were considered in the planning budget.

The District reduced its tax rate for the upcoming tax year because of an increase in valuations. The change did not adversely affect the annual budget.

**District Programs and Water Managements**

Covid-19 is restricting many of the District's programs including education, outreach, and even water level measurements. The District will investigate new avenues to conduct business previously done in person. Social media, including YouTube and Facebook, will be potential platforms for public education. The District will continue to cooperate with other agencies such as the Texas AgriLife programs and the Upper Colorado River Authority in order to reach a wider audience.

The pandemic, as well as many changes in land ownership, will alter the way the District monitors water levels. Remote monitoring systems for water levels will be utilized more in the upcoming years. Not only does remote monitoring allow for access, even when physical conditions would restrict such, it also allows the District to capture more data points with 24/7 observations.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District Office at 111 East Main Street, P.O. Box 1214, Brady, TX 76825.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

		<b>GENERAL FUND</b>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$	2,516,212
Receivables, net		
Taxes		18,775
Accounts		2,571
Interest		3,818
Prepaid Expenses		736
Total Current Assets		2,542,112
Noncurrent Assets		
Land (Note 5)		5,000
Other Capital Assets, net of depreciation (Note 5)		78,881
Total Noncurrent Assets		83,881
Total Assets		2,625,993
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable		3,979
Total Current Liabilities		3,979
Noncurrent Liabilities		
Accrued Compensated Absences (Note 7)		19,707
Total Noncurrent Liabilities		19,707
Total Liabilities		23,686
<b>NET POSITION</b>		
Net Investment in Capital Assets		83,881
Unrestricted		2,518,426
TOTAL NET POSITION	\$	2,602,307

See accompanying notes to the basic financial statements.



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2020**

		<u>General Government</u>
Expenses:		
Salaries	\$	168,766
Payroll Taxes		2,879
Health Insurance		79,829
Retirement		12,626
Storage Building		540
Utilities		2,847
Telephone		4,039
Furniture & Equipment		35
Copier		3,289
Maintenance		359
Office Supplies		1,700
Janitorial		67
Election/Legal Notices		1,470
Appraisal District		21,162
Legislative Service		9,600
Accounting		7,305
Computer		3,971
Vehicle Expense		495
Vehicle Insurance		944
Travel		848
Meetings		573
Dues and Miscellaneous		2,620
Bonds and Insurance		2,096
Building Insurance		470
Postage		856
Attorney Fees on Tax Collection		3,127
Hydro/Geo Research		1,625
Education Information		2,529
Water Management		3,795
Depreciation		12,612
Total Governmental Activities		<u>353,074</u>
General Revenues:		
Taxes		
Property Taxes, Levied for General Purposes		597,617
Attorney Fees on Tax Collections		3,127
Interest Revenue		19,088
Miscellaneous		2,665
Total General Revenues		<u>622,497</u>
Change in Net Position		269,423
Net Position, Beginning		2,332,884
Net Position, Ending	\$	<u><u>2,602,307</u></u>

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,516,212
Receivables, net	
Taxes (Note 1)	18,775
Accounts	2,571
Interest	3,818
Total Assets	\$ <u>2,541,376</u>
<b>LIABILITIES</b>	
Liabilities	
Accounts Payable	\$ 3,979
Total Liabilities	<u>3,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	\$ 18,775
<b>FUND BALANCES</b>	
Fund Balance:	
Unreserved	186,681
Committed for:	
Litigation	1,358,500
Research	928,500
Building Renovations	10,000
Vehicle Replacement	34,841
Special Purposes	100
Total Fund Balances	<u>2,518,622</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ <u>2,541,376</u></b>

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	<u>GENERAL FUND</u>
Reconciliation of the total fund balance of governmental funds to the net position of governmental activities:	
Total Fund Balances	\$ 2,518,622
Amounts reported for governmental activities in statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, (net of accumulated depreciation of \$96,322)	83,881
Other assets used in the governmental activities are not financial resources and therefore are not reported in the funds. Prepaid Insurance	736
Property taxes receivable are not available to pay for current period expenditures and are not recognized as revenue in the governmental funds Deferred inflows of resources - property taxes	18,775
Some liabilities are not due and payable in the current period and therefore are not reported in the funds: Accrued Compensated Absences	<u>(19,707)</u>
Net Position of Governmental Activities	\$ <u>2,602,307</u>

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2020

**REVENUES**

Property Taxes	\$	588,581
Penalties and Interest		7,145
Interest on Investments		19,088
Attorney Fees		3,127
Miscellaneous		2,665
Total Revenues		<u>620,606</u>

**EXPENDITURES**

Current		
Salaries	\$	168,350
Payroll Taxes		2,873
Health Insurance		79,829
Retirement		12,626
Storage Building		540
Utilities		2,847
Telephone		4,039
Furniture & Equipment		35
Copier Lease		3,289
Maintenance		359
Office Supplies		1,700
Janitorial		67
Election/Legal Notices		1,470
Appraisal District		21,162
Legislative Service		9,600
Accounting		7,305
Computer		3,971
Vehicle Expense		495
Vehicle Insurance		944
Travel		848
Meetings		573
Dues and Miscellaneous		2,620
Bonds and Insurance		2,090
Building Insurance		470
Postage		856
Attorney Fees on Tax Collection		3,127
Hydro/Geo Research		1,625
Education Information		2,529
Water Management		3,795
Capital Outlay		5,525
Total Expenditures		<u>345,559</u>

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances	\$	275,047
Fund Balance, Beginning of Year		<u>2,243,575</u>
Fund Balance, End of Year	\$	<u><u>2,518,622</u></u>
Reconciliation of the change in fund balances of governmental funds to the change in net assets of governmental activities:		
Net Change in Fund Balances - Total Governmental Funds	\$	275,047
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and depreciated.		
Assets capitalized		5,525
Depreciation expense		(12,612)
Property taxes reported as revenue in the Statement of Activities are not yet available.		
Increase in deferred inflow of resources		1,891
Governmental funds report insurance expenditures as incurred. The Statement of Activities reports unexpired insurance as prepaid.		
Prepaid insurance		(6)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued compensated absences		<u>(422)</u>
Change in Net Position of Governmental Activities	\$	<u><u>269,423</u></u>

See accompanying notes to the basic financial statements.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 572,949	\$ 572,949	\$ 595,656	\$ 22,707
Interest on Investments	-	-	18,835	18,835
Attorney Fees	-	-	3,127	3,127
Miscellaneous	-	-	2,665	2,665
Total Revenues	<u>572,949</u>	<u>572,949</u>	<u>620,283</u>	<u>47,334</u>
<b>EXPENDITURES</b>				
Current				
Salaries	168,350	168,350	168,350	-
Payroll Taxes	6,313	6,313	2,873	3,440
Health Insurance	96,285	96,285	79,829	16,456
Retirement	12,626	12,626	12,626	-
Storage	540	540	540	-
Utilities	8,000	8,000	2,907	5,093
Telephone	8,000	8,000	4,039	3,961
Furniture	3,000	3,000	35	2,965
Copier	4,000	4,000	3,289	711
Maintenance	3,000	3,000	359	2,641
Office Supplies	3,071	3,071	1,538	1,533
Janitorial	1,000	1,000	67	933
Election/Legal Notices	3,500	3,500	-	3,500
Appraisal Districts	24,000	24,000	21,162	2,838
Legislative Service	25,000	25,000	9,600	15,400
Legal Fees	11,000	11,000	-	11,000
Accounting	11,000	11,000	7,305	3,695
Computer	12,000	12,000	7,966	4,034
Vehicle Replacement Fund	25,464	25,464	-	25,464
Vehicle Expense	6,000	6,000	453	5,547
Vehicle Insurance	800	800	944	(144)
Travel	4,500	4,500	869	3,631
Meetings	7,000	7,000	365	6,635
Dues and Miscellaneous	3,500	3,500	2,620	880
Bonds and Insurance	2,000	2,000	2,090	(90)
Building Insurance	500	500	470	30
Postage	3,000	3,000	799	2,201
Geological Studies	95,000	95,000	1,625	93,375
Education Information	15,000	15,000	2,529	12,471
Water Management	9,500	9,500	3,610	5,890
Attorney Fees on Tax Collection	-	-	3,127	(3,127)
Capital Outlay	-	-	5,525	(5,525)
Total Expenditures	<u>572,949</u>	<u>572,949</u>	<u>347,511</u>	<u>225,438</u>
Net Change in Fund Balances	-	-	272,772	272,772
Fund Balance - Beginning	<u>2,243,575</u>	<u>2,243,575</u>	<u>2,243,575</u>	<u>-</u>
Fund Balance - Ending, Budgetary Basis	<u>\$ 2,243,575</u>	<u>\$ 2,243,575</u>	<u>2,516,347</u>	<u>\$ 272,772</u>

See accompanying notes to the basic financial statements.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes Receivable - The District budgets on the cash basis.			\$ 324	
Accounts Payable - The District budgets on the cash basis.			1,951	
Fund Balance - Ending, GAAP Basis			\$ 2,518,622	

See accompanying notes to the basic financial statements.



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hickory Underground Water Conservation District No. 1 been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing government accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below:

Financial Reporting Entity

The Hickory Underground Water Conservation District No. 1 (The District) was created on June 9, 1982 under the terms and provisions of Article XVI, Section 59 of the Constitution of Texas, and Chapter 52 of the Texas Water Code, Vernon's Texas Civil Statutes, together with all amendments and additions thereto. The District operates under an elected Board of Directors - Manager form of government for the following purposes:

1. to formulate, promulgate and enforce rules and regulations for the purpose of conserving, preserving, protecting and recharging the underground water of the underground water reservoir or subdivision thereof;
2. to formulate, promulgate and enforce rules and regulations to control subsidence and to prevent waste of the underground water of the underground water reservoir or subdivision thereof.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on these standards, the Hickory Underground Water Conservation District No. 1 has no component units.

Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the District as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

government-wide Statement of Net Position, the governmental activities are presented and reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District has no business-type activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include contributions that are restricted to meeting the operational requirements of a specific program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded as receivables until they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected as of year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantors have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectibles within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected as of year-end. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or at year-end and available to pay obligations of the current period.) This includes revenues such as interest revenue.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The District's only fund is the general fund. This is the district's primary operating fund. It accounts for all financial resources of the District. By definition, the general fund is a major governmental fund.

The District has no proprietary funds or fiduciary funds.

Assets, Liabilities, and Net Position

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

The District's receivables include property taxes and interest receivable, both of which are recorded at full value with no allowance for doubtful accounts.

Inventories and Prepaid Items

The District carries no material amount of inventory.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements.

Capital Assets

Capital assets include land, buildings, equipment, and vehicles. Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$1,000 is due for all capital assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	20 - 50 years
Equipment	2 - 15 years
Vehicles	5 years

Infrastructure

The District has no infrastructure.

Compensated Absences

The District allows employees to accumulate annual leave based on their length of employment with the District. Beginning employees accrue one (1) day per month of leave to a maximum of fifteen (15) days. After three (3) years of employment, leave accrues at one and one-half (1.5) days per month to a maximum of twenty-one (21) days. After ten (10) years of employment, leave accrues at two (2) days per month to a maximum of thirty (30) days. Upon termination, an employee may be reimbursed for annual leave not taken up to the maximum allowable.

As of September 30, 2020, the liability for accrued leave is \$19,707. This amount has been recorded as a noncurrent liability.



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Government-wide Net Position

Government-wide net position is divided into three components:

- a. Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted - consists of net assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted - all other net assets are reported in this category.

Governmental Fund Balances

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- b. Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- c. Committed - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the highest level action to remove or change the constraint.
- d. Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- e. Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the District strives to maintain an unassigned fund balance to be used for operations.

Designations of Fund Balance

Fund balances are designated for the following uses in the governmental funds:

Committed for:	
Litigation	\$ 1,358,500
Research	928,500
Building Renovations	10,000
Vehicle Replacement	34,841
Special Purposes	100
	\$ 2,331,941

Budgetary Information

The budget requirements for all funds are as follows:

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 2 - COMPLIANCE, AND ACCOUNTABILITY, continued

Annual budgets are adopted for all District funds. Under state law, the General Manager submits an annual budget to the Board of Directors for consideration and approval. Such budget is based on expected expenditures by program within the fund and estimates resources by source for the General Fund.

The General Manager submits budget amendment ordinances to the Board of Directors. These ordinances are updated for any estimate revisions as well as year-end encumbrances and may include additional information requested by the Board. The Board may subsequently amend such ordinances. The Board of Directors did not amend the budget for the fiscal year ending September 30, 2020.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within the General Fund.) The Board may transfer unencumbered appropriations within the fund.

Appropriation control (Board of Directors appropriated budget) is within the General Fund. The Board may, by order, transfer amounts among expenditures. Budgetary comparison schedules are presented in the Basic Financial Statements. The annual budget is prepared in accordance with the basis of accounting utilized by the General Fund (cash basis).

The annual budget is prepared in accordance with the basis of accounting utilized by that fund (cash basis of accounting). Adjustments have been made to make the budgetary comparative statements conform to generally accepted accounting principles (GAAP).

Expenditures Exceeding Budget

The District had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2020.



**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Policies and Practices

The Board of Directors has the authority to choose the types of deposits and investments made by the District. District cash, deposited at several different banks, is protected by a combination of federal deposit insurance coverage and securities pledged by the depository banks. The District does not enter into reverse repurchase agreements.

Deposits

At year-end, the carrying amount of the District's deposits was \$2,516,212 and the bank balance totaled \$2,523,869. Of the bank balances, \$995,680 was insured by the federal deposit insurance corporation and \$1,528,189 was covered by pledged securities held by Mason Bank, Commercial Bank of Mason and Commercial National Bank of Brady. Deposits with the depository banks were fully insured at the balance sheet date.

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real and tangible personal property, which are used in businesses located in the District. Real property taxes are levied before the first day of October on the assessed value listed as of the prior January 1<sup>st</sup>. Taxes are due and payable upon receipt of the tax bill and are considered delinquent if not paid by February 1<sup>st</sup>. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Assessed values are established by various county appraisal districts that support the District.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended September 30, 2020 was as follows:

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**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION, continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	5,000	-	-	5,000
Other capital assets:				
Building	61,146	1,363	-	62,509
Hydro Geo	48,939	-	(1,419)	47,520
Office Equipment	9,845	4,162	(2,706)	11,301
Vehicles	53,872	-	-	53,872
Subtotal	173,802	5,525	(4,125)	175,202
Accumulated depreciation:				
Building	(29,107)	(1,869)	-	(30,976)
Hydro Geo	(23,756)	(3,392)	1,419	(25,729)
Office Equipment	(9,510)	(248)	2,706	(7,052)
Vehicles	(25,461)	(7,103)	-	(32,564)
Subtotal	(87,834)	(12,612)	4,125	(96,321)
Net other capital assets	85,968	(7,087)	-	78,881
Net capital assets	\$ 90,968	\$ (7,087)	\$ -	\$ 83,881

Depreciation was charged as follows:

**Governmental activities:**

General Government	\$ 12,612
<b>Total governmental activities depreciation expense</b>	<b>\$ 12,612</b>

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
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**NOTE 6 - EMPLOYEE PENSIONS**

The Hickory Underground Water Conservation District No. 1 contributes to an IRA-SEP Plan for all full-time District employees. The contributions are based on the employees' salary times a contribution rate of 7.5%. Edward Jones maintains a money market and securities balance for the individuals involved. The District is not responsible for any maintenance of the account as it is held in the individual's name. The total District contributions to the plan for the fiscal year totaled \$12,626.

**NOTE 7 - RISK MANAGEMENT**

Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employees health and life and natural disasters. The District manages these losses by purchasing insurance to preclude any significant losses.

Management believes the insurance coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years nor has there been a reduction in insurance coverage from prior years.

**NOTE 8 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2020 included the following:

<b>Governmental Activities:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 19,285	\$ 422	\$ -	\$ 19,707	\$ -
Governmental activities long-term liabilities	<u>\$ 19,285</u>	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ 19,707</u>	<u>\$ -</u>

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**  
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**NOTE 9 - OPERATING LEASE COMMITMENTS**

The District signed an operating lease agreement with CTWP Leasing for the lease of a Kyocera copier. The agreement is effective February 19, 2020 and shall remain in force for 60 months. Minimum future lease payments are listed as follows:

September 30, 2021	\$ 3,483
September 30, 2022	3,483
September 30, 2023	3,483
September 30, 2024	3,483
September 30, 2025	<u>1,741</u>
	<u>\$ 15,673</u>